EUNOIA JUNIOR COLLEGE
JC2 Preliminary Examination 2024
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

Paper 1

9570/01

26 August 2024

2 hours 30 minutes

Additional Materials: Answer Booklet

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.

The number of marks is given in brackets [ ] at the end of each question or part question.

Please note that Paper 1 takes up 40% of the total score.

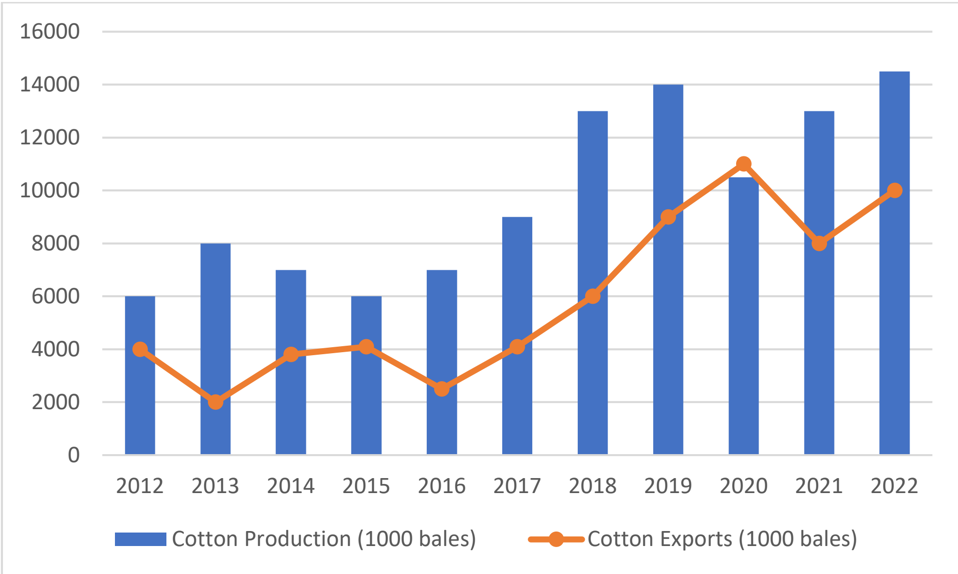
Question 1: Towards sustainable fashion

Table 1: World cotton production and consumption (in million bales)

Year	Production	Consumption
2021	115	118
2022	120	110

Source: USDA Foreign Agricultural Service, accessed 30 July 2024

Figure 1: Brazil cotton production and exports



Source: Global Cotton Outlook 2022/23, Texas Tech University, accessed 30 July 2024

Extract 1: Brazil's cotton exports surge

Low prices for corn have pushed farmers in Brazil to plant cotton instead, resulting in a sharp rise in cotton production. In recent years, Brazil overtook the US as the world's largest cotton exporter. The South American country exported 12.4 million bales in the 2023 harvest season compared with 11.8 million bales that came out of the US, according to estimates by the US Department of Agriculture.

Brazil's soaring output has more than offset the impact of consecutive years of drought in the US. Meanwhile, global demand for cotton has fallen. Over the past few years, shoppers have increasingly opted for alternative man-made fabrics like polyester and petroleum-based fabrics, which are cheaper and quicker to produce than cotton, but have a much larger environmental toll.

Source: Financial Times, 16 July 2024

Extract 2: Unfavourable plight of cotton farmers

Farmers are at the end of a long and complex value chain, often receiving the lowest prices while bearing high production costs. They are generally at a disadvantage when it comes to price negotiations because they lack access to market information. In addition, many small-scale farmers do not belong to farmer organisations, which leaves them little bargaining power or influence on the prices offered.

Cotton farmers receive a small share of the retail price of a garment, not exceeding 10%. Revenues for cotton farmers vary across countries and tend to increase with the size of the farms. Small cotton farmers earn the least compared to large and medium-sized farmers in many producing countries. Some governments thus implement programs such as minimum support price to support farmers.

Source: 2023 Global Market Report, Cotton Prices and Sustainability, 10 July 2023

Extract 3: Fast fashion: How clothes are linked to climate change

Producing clothes uses a lot of natural resources and creates greenhouse gas emissions which are responsible for climate change. Overall, the fashion industry is responsible for 8-10% of global emissions, according to the UN - more than the aviation and shipping combined.

Fast fashion clothing is produced rapidly to follow current trends in the industry. Low cost is also achievable as the firms have a massive scale of production. Fast fashion allows cost-conscious consumers to regularly update and expand their wardrobes with knockoff end vogue styles. However, the earth's environment is paying the hefty price.

Most of fashion's environmental impact comes from the use of raw materials. Synthetic materials like polyester require an estimated 342 million barrels of oil every year. To deliver on low price points for fast changing styles, these ‘real time’ brands rely on fossil fuel-based synthetic materials that are cheaper, adaptable, and more widely available than natural materials. As a result, polyester has grown to become the number one synthetic fibre and now represents more than half of all global fibre production. It is derived from non-renewable resources, requires a great deal of energy for extraction and processing and releases significant byproducts.

Government rule makers must price negative externalities. Synthetic materials like polyester, for example, should be taxed to reflect its true cost. This would discourage their use, lead to innovation and accelerate the adoption of renewable energy. A governmental committee in the UK has also recommended a tax on polyester. For the fashion industry, this would increase the price of synthetics making natural materials like cotton more attractive.

Adapted from: BBC, 29 July 2022

Extract 4: Generation Z (Gen Z) is emerging as the sustainability generation

Major global events like Covid-19 pandemic have a way of shaping the lifetime spending habits of the generations that come of age during them. For more than a year you could sense the collective sigh of the universe as factories shut down, the skies turned blue over Beijing for the first time in decades, and once-clogged highways were emptied as we adapted to working and learning from our homes. We’ve learned to do less, spend less, and waste less and no cohort has been as profoundly influenced as Generation Z (those born after 1997). The pandemic didn’t start the sustainability revolution, but it has put it into hyperdrive, and Gen Z is in the driver’s seat.

As the economy begins to recover, the consumer research on retail fashion brands makes it clear that the next normal is all about saving the planet. According to a recent study, Gen Z is the most likely to make purchase decisions based on values and principles (personal, social, and environmental). The vast majority of Gen Z shoppers prefer to buy sustainable brands, and they are most willing to spend 10 percent more on sustainable clothing than fast fashion. Sustainable clothing is more expensive as many sustainable brands opt for better, more durable fabrics, including natural fibres. But this is costly, take for example, cotton costs 25% more than polyester.

Now virtually every company now proclaims its devotion to sustainability. Previously it would have seemed improbable that two leading sporting companies, Allbirds and Adidas, would be collaborating on creating a sport performance shoe with the lowest carbon footprint ever. Or that Walmart would be partnering with ThredUp, an online thrift store, to sell 'pre-owned' garments by name-brand fashion houses like Anne Klein and Tommy Hilfiger.

Adapted from: Forbes, 30 April 2021

(a) With reference to Table 1, what can be concluded about the change in world price of cotton in 2022. [2]

(b) With reference to Figure 1 and Extract 1, explain **one** demand and **one** supply factor that could impact world cotton prices. [4]

(c) 'Some governments thus implement programs such as minimum support price to support farmers.' (Extract 2)

Explain how the above price control supports farmers and **one** possible unintended consequence of the policy. [4]

(d) **(i)** 'Synthetic material like polyester, for example, should be taxed to reflect its true cost.' (Extract 3)

Explain what is meant by 'true cost' of polyester. [2]

(ii) Discuss the appropriateness of UK's government plan to tax polyester to ensure that its 'true cost' has been accounted for. [8]

(e) In light of the mass production (Extract 3) and changing Gen Z behaviour (Extract 4), discuss the extent to which a fashion firm like Adidas should switch over to manufacturing more sustainable clothing. [10]

[Total: 30]

Question 2: The age of deglobalisation

Table 2: Trade balance of India with China

Year	Import from China (Billion USD)	Export to China (Billion USD)
2018	76.87	18.83
2019	74.92	17.97
2020	66.78	20.87
2021	97.59	28.03
2022	118.77	17.49

Source: General Administration of Customs China, 2023

Table 3: Singapore's Economic Indicators

Year	Real GDP Growth Rate	Annual Inflation Rate
2020	-3.9%	-0.18%
2021	8.88%	2.3%
2022	3.65%	6.12%

Source: Macrotrends*, 2023*

Extract 5: 15 countries, including Singapore, sign RCEP, the world's largest trade pact

The world's largest trade pact was inked on 15 Nov 2020 by ministers from 15 countries including Singapore, in a move likely to spur the region's economy. Building on existing free trade deals among members, the Regional Comprehensive Economic Partnership (RCEP) will broaden and deepen economic linkages across the Asia-Pacific, ease trade in goods and services and facilitate the flow of foreign investments. RCEP members account for 30 per cent of the world's economy and one-third of its population. They comprise all 10 Association of Southeast Asian Nations (ASEAN) members and key partners Australia, China, Japan, South Korea and New Zealand.

Prime Minister Lee Hsien Loong described the signing of the pact as a 'major step forward for the world, at a time when multilateralism is losing ground, and global growth is slowing'. 'It signals our collective commitment to maintaining open and connected supply chains, and to promoting freer trade and closer interdependence especially in the face of Covid-19 when countries are turning inwards and are under protectionist pressures,' he said.

Mr Lee joined several leaders in expressing the hope that India will be able to sign on in future, so that 'participation in the RCEP will fully reflect the emerging patterns of integration and regional cooperation in Asia'. New Delhi pulled out of talks last November after seven years of negotiations following concerns over trade imbalances. Yesterday, the RCEP leaders reiterated that the door remains open for India.

Some have raised concerns that China stands to benefit the most as the group's largest economy, but ministers noted that the RCEP gives members' businesses greater access to the vast Chinese market. Chinese Premier Li Keqiang said the signing was a victory for multilateralism and free trade, adding: "Let people choose unity and cooperation in the face of challenges, rather than conflict and confrontation."

The pact will eliminate tariffs for at least 92 per cent of goods, with additional preferential market access for exports. The flow of goods will also be faster. More companies will be able to provide services in the region, with foreign shareholding limits raised for at least 50 sub-sectors including professional services, telecommunications and financial services.

Adapted from: The Straits Times, 16 November 2020

Extract 6: India firms, farmers applaud PM Narendra Modi's move to reject RCEP trade deal

New Delhi's 11th-hour rejection of the Regional Comprehensive Economic Partnership (RCEP) - which was meant to account for half of the world's population - comes as India battles slowing manufacturing and consumption. The pact would have increased India's access to other Asian markets, but New Delhi feared its domestic industries would be hit hard if the country was flooded with cheap made-in-China goods, particularly in key employment sectors such as agriculture and textiles.

In a tweet late on Monday, Indian dairy Amul applauded Prime Minister Modi's ‘exemplary leadership and support’ to dairy farmers, who would have been exposed to more competition under the RCEP. Confederation of All India Traders (CAIT), warned the deal would have allowed Chinese manufacturers to overwhelm ‘the Indian market with Made In China products at very low prices... thereby creating a disequilibrium’. B. M. Singh, convenor of the All India Kisan Sangharsh Coordination Committee, said the rejection of the deal was ‘a huge victory for farmers’. ‘We should not go for an open agreement like the RCEP simply because we can't compete with other big countries,’ Singh shared.

But experts cautioned that New Delhi, which has a long history of protectionism, may lose out as it tries to become a more globally competitive economy. ‘In an era in which manufacturing requires the ability to become more - not less - integrated into global supply chains, this decision appears for the moment to make it harder to boost manufacturing in India,’ the Council on Foreign Relations senior fellow Alyssa Ayres wrote. ‘The central issue for the Indian government isn't in the wording of a trade deal, but in the competitiveness of the Indian economy,’ Ayres added in a blog post underlining the need for New Delhi to undertake further reforms to kick-start economic growth.

Source: The Straits Times, 5 November 2019

Extract 7: Sentiment is turning towards deglobalisation

The rise of globalisation was never entirely smooth or assured. The reduction of global trade that was bookended by the two world wars was followed by 60 years of increased globalisation. This included the hyper-globalisation period from 1990 to 2008.

However, the 2008 financial crisis, trade wars, disenfranchised middle classes in developed economies and rising concerns about over-reliance on trade with single partners is increasingly leading to a period of deglobalisation i.e. lower trade, capital and labour flows.

This is exacerbated by recent disruptions to global supply chains such as the war in Ukraine, growing ideological differences and the green transition have prompted governments and corporations to reconsider external dependencies. They are looking closer to home and to trusted partners for more resilient growth models.

Source: World Economic Forum, 17 January 2023

Extract 8: Can Singapore flourish in a disrupted world?

2022 so far has been the year that no one really saw coming. While many of us have learnt to live with Covid-19 and travel has rebounded to some extent, major disruptions to the global economy will have protracted impact on businesses and societies. Faced with a world where deglobalisation is a feature and strategic decoupling is a reality – how can Singapore thrive?

The challenges today are manifold – whether geopolitical, economic or social – with key examples being the Ukraine-Russia conflict, heightened inflation, deglobalisation and downward pressure on growth. Can Singapore thrive in a such a world? This depends on how well we manage our resources, and whether we can stay agile and grasp the opportunities that present themselves.

We will continue to improve long-term infrastructure to supercharge digital connectivity, ensure a conducive startup environment and provide access to capital, research and talent. Notably, we are on track to achieving nationwide 5G coverage by 2025 so that businesses and consumers can enjoy faster network speeds and new applications. Additionally, we are committed to maintaining a stable digital environment and defending the cybersecurity space for end-users. We are doing this by advocating for international cyber norms and being a trusted data hub.

We have also selectively brought in talents from around the world who can translate technological innovations into scalable and viable business models. As of end-July, we have attracted over 250 such talents from 37 countries, with experience in areas such as artificial intelligence (AI) and cybersecurity.

Adapted from: Singapore Economic Development Board, 12 October 2022

Figure 2: Artificial Intelligence Readiness Score (AIRS) & Ranks 2023 (Asia Pacific Region)

The AIRS measures how ready a country is in adopting Artificial Intelligence. The higher the score, the higher the readiness. # refers to the rank.

Source: Campaign Asia*, 2023*

(a) **(i)** Using Table 2, calculate and show how the trade balance of India with China has changed between 2018 and 2022. [2]

(ii) Suggest **one** possible reason for the change observed in the trade balance in **a(i).** [2]

(iii) Using the circular flow of income model, explain how the observed changes in the trade balance between 2018 and 2022 could have caused India's national income to fall. [4]

(b) With reference to Extracts 5 and 6, discuss why some countries such as China pursue greater economic integration through RCEP while others, such as India, do not. [8]

(c) **(i)** With reference to Extract 7, explain **two** causes of deglobalisation. [4]

(ii) In the face of deglobalisation, discuss how supply side policies, such as building long term infrastructure and attracting talents, allow Singapore to achieve its macroeconomic objectives. [10]

[Total: 30]

[End of Paper]